

## Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 9201

INFO ALL EC CAPITALS 856

AMEMBASSY TEHRAN

LIMITED OFFICIAL USE EC BRUSSELS 6082

E.O. 11652: N/A

TAGS: ETRD, PFOR, EEC, IR

SUBJECT: EC/IRAN: EXPLORATORY TALKS

REF A. EC BRUSSELS 4875

B. EC BRUSSELS 4429

C. TEHRAN 4597

1. ON JUNE 18 THE EC COMMISSION HELD IN TEHRAN THE FIRST IN THE EXPECTED SERIES OF EXPLORATORY TALKS WITH IRAN CONCERNING THE SHAPE OF THEIR PROPOSED TRADE ARRANGEMENTS (REFTELS). THE MEETING, WHICH TOOK PLACE AT THE OFFICIAL LEVEL, DEALT WITH TECHNICAL CONSIDERATIONS INVOLVED IN THE IRANIAN PREFERENTIAL PROPOSAL AND THE EC NON-PREFERENTIAL COUNTER-PROPOSAL.

2. ACCORDING TO OUR COMMISSION CONTACT, WHO WAS IN TEHRAN, THE COMMISSION USED THE OCCASION TO EXPLAIN IN MORE DETAIL THEIR OBJECTIONS,

UNDER THREE MAJOR HEADINGS, TO THE IRANIAN PROPOSAL AND WHY A PREFERENTIAL AGREEMENT IS NOT POSSIBLE. FIRST, THE EC'S GENERALIZED SYSTEM OF PREFERENCES PROVIDES MANY IMPORT FACILITIES WHICH THE IRANIANS HAVE

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OVERLOOKED, MORE OR LESS ON PRINCIPLE, EVER SINCE THE GSP CAME

INTO EFFECT. THE COMMISSION THEREFORE URGED THE IRANIANS TO EXPLORE MORE FULLY THE OPPORTUNITIES AVAILABLE UNDER THE EC'S SCHEME. SECOND, THE COMMISSION ALSO CAUTIONED IRAN NOT TO BE UNDER ANY FALSE ILLUSIONS CONCERNING POTENTIAL BENEFITS FROM PREFERENTIAL ARRANGEMENTS. EVEN IF SUCH AN AGREEMENT WERE TO EXIST BETWEEN THE EC AND IRAN, SENSITIVE IRANIAN EXPORTS (PETROLEUM PRODUCTS, STEEL, ETC.) WOULD REQUIRE SPECIAL RESTRICTIVE TREATMENT. THE MAGHREB WAS CITED AS AN EXAMPLE OF PARTICULAR RELEVANCE TO IRAN, GIVEN THE SEVERE RESTRICTIONS CONTAINED IN THE AGREEMENT CURRENTLY BEING NEGOTIATED ON THE EC'S DUTY-FREE IMPORT OF ALGERIAN PETROLEUM PRODUCTS. THE COMMISSION LAID HEAVY EMPHASIS ON DISSUADING THE IRANIANS FROM THE VIEW THAT THE EC COULD SOMEHOW BE MORE GENEROUS UNDER A PREFERENTIAL ARRANGEMENT ON THESE SENSITIVE PRODUCTS OF INTEREST TO IRAN AND OUR SOURCE SAYS HE FELT THIS OPENED SOME EYES ON THE IRANIAN SIDE.

3. THIRDLY, WITH RESPECT TO OTHER NON-GSP "SWEETENERS" IN THE EC NON-PREFERENTIAL OFFER, OUR SOURCE SAID THE COMMISSION TOLD THE IRANIANS THAT IF THEY DON'T INSIST ON A PREFERENTIAL ARRANGEMENT THE COMMISSION COULD TRY TO GET OTHER ELEMENTS (I.E., INDUSTRIAL COOPERATION, ETC.) INTO THE PACKAGE IF THE MEMBER STATES COULD BE PERSUADED TO ACCEPT AN "ECONOMIC COOPERATION" APPROACH TO RELATIONS WITH IRAN.

4. OUR SOURCE SAID THE IRANIANS DID NOT ARGUE AGAINST THESE POINTS, BUT THEY, NEVERTHELESS, CONTINUED TO SHOW INTEREST IN A PREFERENTIAL AGREEMENT.

5. THE NEXT IN THIS SERIES OF EXPERT-LEVEL EXPLORATORY TALKS IS DUE TO TAKE PLACE IN BRUSSELS AT THE END OF JULY. GREENWALD

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